

Landmark Academy

Kimball, Michigan

Audited Financial Statements

June 30, 2008

CROSKEY, LANNI & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Landmark Academy

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy, as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements listed in the table of contents. These financial statements are the responsibility of Landmark Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Landmark Academy as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2008 on our consideration of Landmark Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x, and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Landmark Academy's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Croskey, Lanni & Company, P.C.

July 15, 2008
Rochester, Michigan

Landmark Academy

**A Public School Academy in Kimball, Michigan
Chartered By Saginaw Valley State University**

**Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2008**

Introduction

Landmark Academy completed its ninth year of operations on June 30, 2008. Chartered by Saginaw Valley State University in July of 1999, Landmark is a school of choice serving students in kindergarten through ninth grade. In September 2007, Landmark began high school classes for incoming freshman. In September 2008, Landmark will expand to offer tenth grade classes.

The school campus is located on a fifteen-acre parcel of land on Lapeer Road in Kimball Township, near Port Huron. The 42,000 square foot Elementary School building is a modular construction with a brick exterior, having 27 classrooms and two administration offices. For the year ending June 30, 2008 there were four (4) classes each of Kindergarten through grade two, three (3) classes each of grades three through five, two (2) classes each of grades six through nine. As of the writing of this report Landmark has added an additional third grade class (bringing the total to four), an additional sixth grade class (bringing the total to three) and two tenth grade classes for the 2008-2009 school-year. It is anticipated that Landmark will add an additional fourth grade class, another seventh grade class and two eleventh grade classes the following year as students advance.

Due to continued growth in student enrollment, the Landmark Board authorized two (2) building expansion projects for the summer of 2007. One project added two (2) classrooms to the existing Elementary building. The second project prepared classroom space for middle school and high school students who relocated to the 30,000 square foot second floor of an adjacent building, currently owned by Cross Current Church. Landmark Academy entered into a three (3) year lease agreement for exclusive occupancy of the second floor of that building with an exclusive right to purchase the entire building by the end of the 2009 calendar year. The financing for the 2007 projects was secured through the issuance of Certificates of Participation, similar to those used to finance the expansions in 2001 and in 2005. Construction began in the spring of 2007 and was substantially completed by October 2008. Both projects have been issued certificates of occupancy.

Overview of Financial Statements

The financial information contained in this Management Discussion & Analysis is derived from two methods of reporting. One method is Governmental Fund Accounting, which was the only method used prior to the GASB 34 changes that were put into place a few years ago. The other method reports finances on a Net Asset basis, typical of corporate accounting.

The Governmental Fund method reports separates the financial activities of the school into self-balancing funds based on the primary function of the fund. For example, the Debt Service Fund is specifically for all activity related to the school's debt service activity. The funds used for Landmark Academy are the General Fund (where most all financial activity takes place), the Debt Service Fund, the Capital Project Fund (for the school construction projects), and the Activity Fund (for money held by Landmark on behalf of student groups – student council, for example).

The Net Asset method reflects activity on a school-wide basis (excluding Fiduciary accounts), showing assets, short-term and long-term debt, and all revenues and expenses for the year. Depreciation of assets is included in this method of accounting.

Financial statements representing both accounting methods follow this Management Discussion & Analysis. Included in these statements is a reconciliation between the two methods of accounting.

Assets, Liabilities & Net Assets

Capital Assets

Much of Landmark's asset value is represented in land and buildings, nearly \$6.6 million of the total. In prior years, Landmark's capital asset values were established on an original cost basis. Changes in accounting methods now require the depreciation of these assets – which amounts to \$756,401.

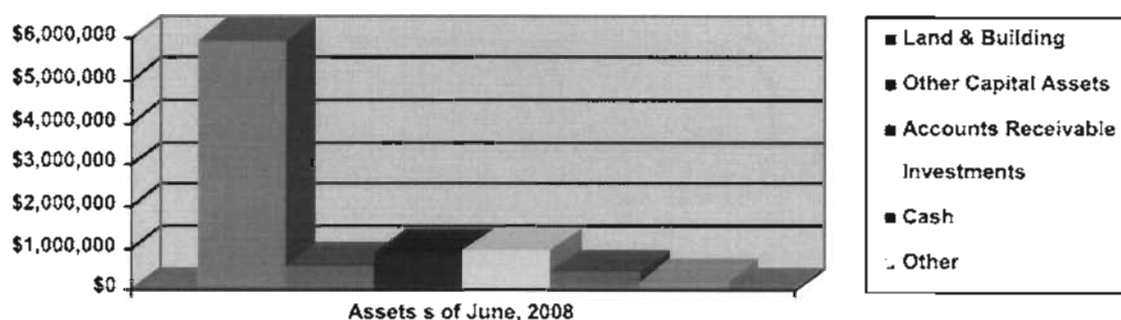
Landmark Academy opened its doors in 1999 with two (2) 6,000 square foot modular buildings that provided for 11 classrooms and an administrative office. Growth in student numbers necessitated expansion projects in 2001, 2003, 2005 and 2007. The school issued Certificates of Participation to fund the projects. Brick was installed on the exterior of the original classrooms and all subsequent additions to extend the life of all of the modular buildings and to provide for an aesthetically attractive, single-structure appearance. The final addition of two modular classrooms in 2007 brings the total Kindergarten through Grade 5 campus building area to approximately 42,000 square feet.

Current Assets

Landmark Academy's current assets total is \$2,595,628. Of that amount, \$950,628 is recorded as accounts receivable. Most of this is due from the State of Michigan as per-pupil aid, which will be received by the end of August 2008. Landmark maintains a checking account and a money market account, totaling \$448,072 for the year-end, which represents the cash balances in the general operating accounts. Another significant portion of the school's current assets is the \$955,090 shown as investments. The majority of this sum is held in a trust account to pay for the principal and interest on the long-term debt (Certificates of Participation). Landmark Academy also has \$241,838 in pre-paid expenses, of which \$200,000 is an earnest money deposit on the purchase of the 100,000 square foot Cross Current building, which includes approximately 50 acres of land for future use.

All Assets

The following chart illustrates the categories and amounts of Landmark's \$9,147,617 in assets.



Liabilities

Long-Term Liabilities

Landmark presently has a long-term debt obligation of \$7,110,000 – mostly from the Certificates of Participation (C.O.P) used to finance the school expansions in 2001, in 2003, in 2005 and in 2007. The Academy paid roughly \$85,000 in principal payments on the C.O.P. issues over the course of the school year.

The financing agreement for the Certificates of Participation calls for 20% of state aid to be directly deposited monthly (except September and November) into a trust account held at U.S. Bank to satisfy principal and interest due. Deposited funds in excess of debt service are then transferred back to the Academy's general checking account, usually a few days after each deposit. Page 5 of the basic financial statements shows \$686,718 transferred out of the general fund and into the debt service fund to provide for the debt service on both C.O.P. issues.

Current Liabilities

Current liabilities of \$499,196 are a small portion of total liabilities. They reflect the current portion of long-term debt (\$95,000), as well as salaries and benefits for teacher contracts (\$232,386) that will not be fully disbursed until August 15, 2008.

Total Liabilities are \$7,609,196.

Net Assets

Total Net Assets for the year ended June 30, 2008 are \$1,538,421. This basically represents Landmark's equity position. Of this, (\$653,011) represents the amount invested in capital assets, less the related debt. The deficit is due in large to the underwriting costs of the C.O.P. debts being financed. The amount restricted for debt service is \$954,858 and \$232 remains from the 2005 capital project reserved for capital improvements. The remaining \$1,236,342 is unrestricted. The change in net assets from the previous year is \$155,503.

Comparative Analysis of Net Assets

The following is a comparison of financial data from this year versus data from last year. Total Assets grew by roughly 29%. Long-Term Debt increased 36% due to the financing of the 2007 expansion projects. Investment in Capital Assets, less Related Debt, increased due to both depreciation and the capitalization of underwriting costs for the C.O.P. financing. Unrestricted Net Assets grew by 12.5% over the previous year's amount. The Net Assets improved by 24%, reflecting a robust year of financial improvement for the school.

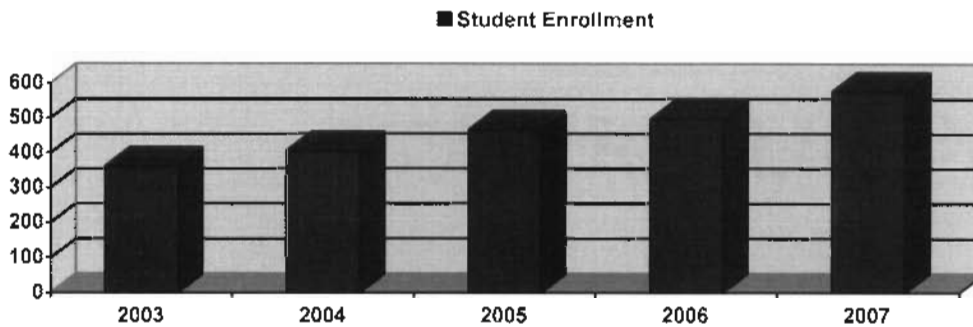
Comparative Statement of Net Assets

	<u>2007/2008</u>	<u>2006/2007</u>
Assets		
Current Assets	\$ 2,595,628	\$ 2,216,243
Facilities, Fixtures, Equipment	<u>6,551,989</u>	<u>4,897,720</u>
Total Assets	9,147,617	7,113,963
Liabilities		
Current Liabilities	499,196	486,045
Long-Term Debt	<u>7,110,000</u>	<u>5,245,000</u>
Total Liabilities	<u>7,609,196</u>	<u>5,731,045</u>
Net Assets		
Invest in Capital Assets, less Related Debt	(653,011)	(432,280)
Restricted for Debt Service	954,858	713,922
Restricted for Capital Projects	232	2,762
Unrestricted	<u>1,236,642</u>	<u>1,098,514</u>
Total Net Assets	\$ <u>1,538,421</u>	\$ <u>1,382,918</u>

Revenue & Expenses

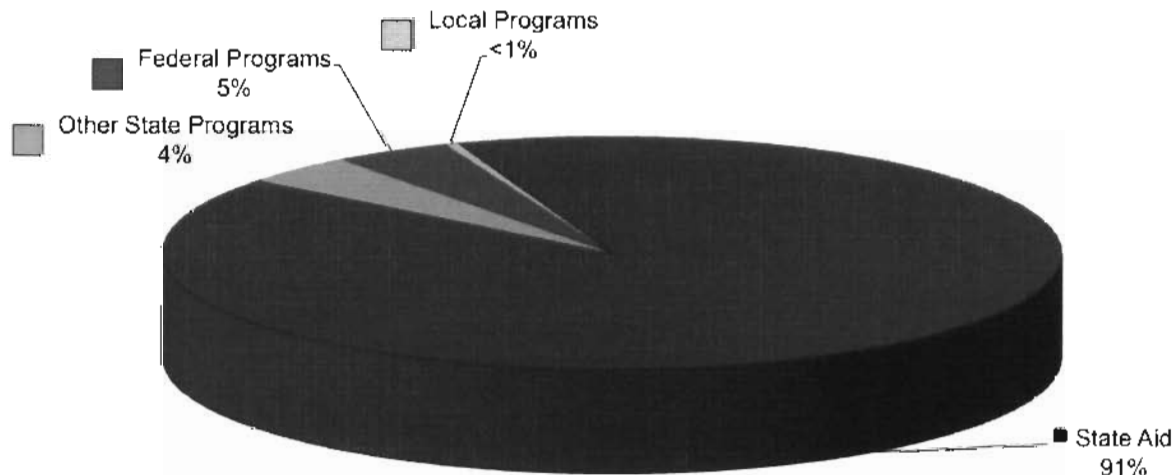
Revenue

Landmark Academy enjoyed another year of growth in student numbers, increasing from 575 students, at the close of the previous year, to 723 at the close of the current year – an increase of over 25%.



Landmark's primary source of revenue is derived from the State of Michigan. Approximately 90% of its total annual revenue from all sources for this school year was from state aid. As with traditional public schools in Michigan, Landmark receives roughly \$7,307 per student based on a blended student count formula – 75% of the September student enrollment count and 25% of the February count. Page 20 provides information on other revenue sources.

2007-08 Revenue Sources



■ State Aid = \$4,986,306

■ Federal Programs = \$229,690

■ Other State & Local Programs = \$225,468

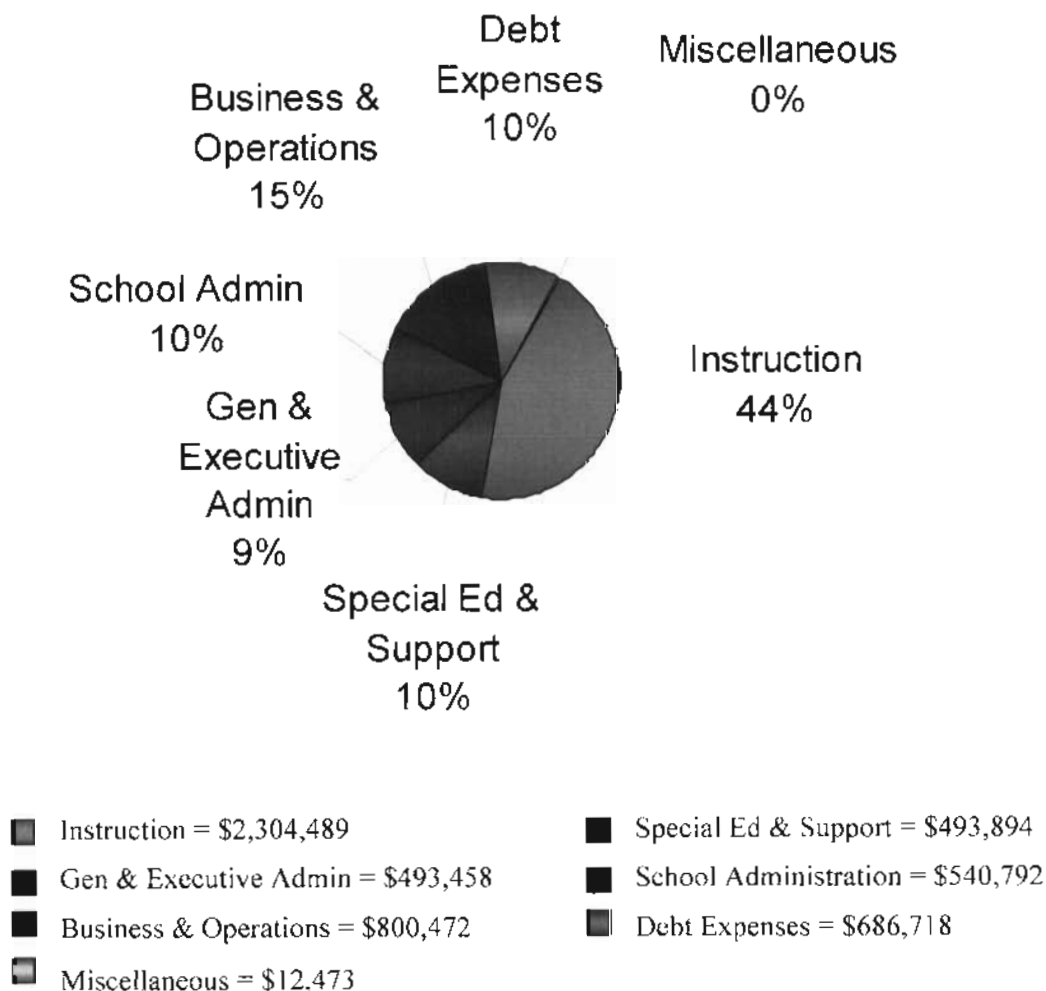
■ Other Local Revenue = \$28,189

Total Revenues = \$5,469,653

Expenses

Expenses are approved and reported on a function level. The following chart represents those levels and the corresponding expenses (based upon a modified accrual method) for this fiscal year. Some of the functions have been combined in the chart for purposes of clarity. Expenses, by function, are detailed on page 2.

2007-08 Expenses By Function



Total Expenses = \$5,332,296

Monies from the Small Rural Schools Grant, Title Funds, 31-A state funds, and a grant from Saginaw Valley State University were also used to enhance the math, reading/writing and social studies portions of the curriculum and to offer tutoring programs targeted at helping "at risk" students who are not performing at grade level in core subject areas. Also, special education funds from Public Act 18 (a county millage) allowed the Academy to enhance its resources used for our special education program.

Comparative Analysis of Revenues, Expenditures, Changes in Fund Balance

Total revenue rose 25% over last year's revenue driven primarily by a 26% increase in student enrollment. There was also a 1.6% increase in State Aid. State Aid as a percentage of total revenue remained at approximately 90%.

Total expenditures rose by approximately 25%, driven largely by the growth in enrollment. The largest percentage increase, roughly 97%, came from business and operations expenses. This is largely due to \$288,000 in payments on the lease of the 30,000 square foot second floor of the adjacent Cross Current building, which was used for middle school and high school. Significant increases in student enrollment also translated into a 28% increase in Instructional Expenses. The 24% increase in General and Executive Administration is due to the increase in state aid. Oversight fees paid to Saginaw Valley State University and Summit Management Consulting are based on a percentage of state aid revenues. Hence, increases in state aid revenue result in corresponding increases in oversight fees.

The year end fund balance increased by 12% over the previous year. The following chart outlines the changes in the primary income and expense categories.

Comparative Statement of Revenues, Expenditures, Changes in Fund Balance General Fund

	<u>2007/2008</u>	<u>2006/2007</u>
Revenue		
State Aid	\$ 4,986,306	\$ 3,957,913
Federal Programs	229,690	203,662
Other State & Local Programs	225,468	193,858
Other	<u>28,189</u>	<u>25,392</u>
Total Revenue	5,469,653	4,380,825
Expenditures		
Instruction	2,304,489	1,798,725
Special Ed & Support Services	493,894	446,241
General & Executive Administration	493,458	398,807
School Administration	540,792	481,013
Business & Operations	800,472	407,215
Debt Expense	686,718	533,443
Miscellaneous	<u>12,473</u>	<u>178,783</u>
Total Expenditures	<u>5,332,296</u>	<u>4,244,227</u>
Changes in Fund Balance	\$ <u>137,357</u>	\$ <u>136,598</u>

Overall Financial Position

Student enrollment for the fall represented a 26% increase over the previous year. Actual fall-count enrollment was over 5% more than had been anticipated in the initial budget, which had been projected at 685. Total actual revenue from all sources was 8% above the initial budgeted revenues. There was a 5% increase in actual total expenses (without interest expense) versus the initial budgeted numbers (See page 19).

This year Landmark was again able to retire a small portion of principal on the long-term certificates. The fund balance increase over the previous year was a very strong 12%. Landmark Academy enjoyed another solid year of growth in students and staff, completing yet another expansion of building facilities.

Fund Balance Restrictions

Landmark presently maintains a combined fund balance position of \$2,224,665. The undesignated portion of this is \$1,269,575 and \$954,858 is reserved for debt service. A balance of \$232 remains in the capital project fund.

Budget

The Landmark Academy Board of Directors approved the initial budget prior to July 1, 2007. Much of the school's income (over 90%) is based on enrollment projections and anticipated state aid, with expenses increasing proportionately. Since the formal student count occurs in late September, it is common to revise the budget in October to reflect the actual student enrollment. The Academy's State Aid revenue projection for the fiscal year was (and continues to be) based largely on verbal commitments from parents. The actual September 2007 count was 723, significantly more than the 685 commitment number used to formulate the budget. In November, the State of Michigan increased the per pupil state aid by \$117 per student, which resulted in an overall increase in state aid of 26%, when coupled with large increase in student enrollment.

Significant Capital Asset & Long-Term Debt Activity

One of the most significant changes in assets for the year was the financing of the K-5 classroom expansion and the leasehold improvements to the leased space for middle school and high school.

The school entered into an exclusive lease agreement with the owners of the Cross Current Church building for the entire 30,000 square foot second floor of the building to accommodate growth in enrollment and the addition of high school classes in the fall of 2007. Landmark also entered into an agreement to purchase the entire building by January of 2010, submitting an advance deposit of \$200,000. These agreements will result in a significant financial savings to the school to accommodate growth in enrollment, as estimates for future school buildings to accommodate growth in middle and high school enrollment would have been nearly double the costs negotiated in the purchases and lease agreement.

Currently Known Facts

The student count for the 2008-2009 school year currently stands at 800, which represents an 11% increase over last year's enrollment - another solid year of growth. As planned, a fourth third grade class was added this year, as well as a third sixth grade class, and two tenth grade classes. Additional teachers were hired for Kindergarten, third grade, sixth grade and an elementary teacher for Art, Gym, Music and Technology. Additional teaching assistants have also been hired.

When Landmark's third grade students are promoted, an additional fourth grade class (bringing the total to four) will be added in the fall of 2009, as well as the addition of a third seventh grade class. It is also expected that the school will add two eleventh grade classes to accommodate the promotion of this year's sophomore classes. This trend is anticipated to continue the following year, with continued growth in the middle and high school grades. The purchase of the 100,000 square foot Cross Current building (along with minor renovations to the first floor) has been planned for the fall of 2009. This will bring the entire two building campus to approximately 142,000 square feet on 66 acres of land.

LANDMARK ACADEMY

STATEMENT OF NET ASSETS

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

Current Assets

Cash and cash equivalents	\$ 448,072
Investments	955,090
Accounts receivable	25,004
Due from other governmental units	925,624
Prepaid expenses	<u>241,838</u>
Total current assets	2,595,628

Facilities, Furniture and Equipment

At cost less accumulated depreciation of \$756,401	<u>6,551,989</u>
Total assets	<u><u>\$ 9,147,617</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Other accrued expenses	\$ 404,196
Long-term debt - current portion	<u>95,000</u>
Total current liabilities	499,196

Long-Term Debt - Long-Term Portion	7,110,000
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Net Assets

Invested in capital assets, net of related debt	(653,011)
Restricted for debt service	954,858
Restricted for capital projects	232
Unrestricted	<u>1,236,342</u>
Total net assets	<u>1,538,421</u>

Total liabilities and net assets	<u><u>\$ 9,147,617</u></u>
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See accompanying notes to financial statements

LANDMARK ACADEMY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Functions	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Government Type Activities
Elementary school	\$ 1,485,850	\$ -	\$ 67,066	\$ (1,418,784)
Middle school	574,205	-	-	(574,205)
High school	244,434	-	-	(244,434)
Special education	191,702	-	128,293	(63,409)
Compensatory education	213,334	-	145,152	(68,182)
Support services	88,858	-	-	(88,858)
General administration	42,524	-	-	(42,524)
Executive administration	450,934	-	-	(450,934)
Building administration	540,792	-	-	(540,792)
Business support services	352,002	-	-	(352,002)
Operation and maintenance	448,470	-	-	(448,470)
Field trips	1,500	-	-	(1,500)
Other support services	10,973	-	-	(10,973)
Unallocated depreciation	175,416	-	-	(175,416)
Unallocated interest	529,087	35,931	-	(493,156)
Total primary government	<u>\$ 5,350,081</u>	<u>\$ 35,931</u>	<u>\$ 340,511</u>	<u>(4,973,639)</u>
General Purpose Revenues:				
State school aid - unrestricted				4,986,306
Interest				9,307
Miscellaneous				133,529
Total general purpose revenues				<u>5,129,142</u>
Excess of revenues over expenses				155,503
Net assets - July 1, 2007				<u>1,382,918</u>
Net assets - June 30, 2008				<u>\$ 1,538,421</u>

See accompanying notes to financial statements

LANDMARK ACADEMY**COMBINED BALANCE SHEET - ALL FUND TYPES**

JUNE 30, 2008

See Independent Auditor's Report

ASSETS

	Governmental Fund Types		
	General	Debt Service	Capital Projects
Cash and cash equivalents	\$ 448,072	\$ -	\$ -
Investments	-	954,858	232
Accounts receivable	25,004	-	-
Due from other governmental units	925,624	-	-
Prepaid expenses	241,838	-	-
Total assets	<u>\$ 1,640,538</u>	<u>\$ 954,858</u>	<u>\$ 232</u>

LIABILITIES AND FUND BALANCES**Liabilities**

Accounts payable	\$ -	\$ -	\$ -
Other accrued expenses	<u>370,963</u>	<u>-</u>	<u>-</u>
Total liabilities	370,963	-	-

Fund Balance

Designated for debt service	-	954,858	-
Designated for capital projects	-	-	232
Unreserved:			
Undesignated	<u>1,269,575</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,640,538</u>	<u>\$ 954,858</u>	<u>\$ 232</u>

See accompanying notes to financial statements



LANDMARK ACADEMY

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES**

JUNE 30, 2008

See Independent Auditor's Report

Amounts reported for governmental activities in the statement of net assets are different because:

Total Governmental Fund Balances	\$ 2,224,665
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,308,390 and the accumulated depreciation is \$756,401.	6,551,989
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Interest is not payable until due in governmental activities and, therefore, is not recorded in the funds.	(33,233)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(7,205,000)</u>
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Net Assets of Governmental Activities	<u><u>\$ 1,538,421</u></u>
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LANDMARK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

	General	Debt Service	Capital Projects
Revenues			
Local sources	\$ 151,320	\$ 29,674	\$ 6,257
State sources	5,088,643	-	-
Federal sources	229,690	-	-
Total governmental fund revenues	5,469,653	29,674	6,257
Expenditures			
Elementary school	1,485,850	-	-
Middle school	574,205	-	-
High school	244,434	-	-
Special education	191,702	-	-
Compensatory education	213,334	-	-
Support services	88,858	-	-
General administration	42,524	-	-
Executive administration	450,934	-	-
Building administration	540,792	-	-
Business support services	352,002	-	170,474
Operation and maintenance	448,470	-	-
Field trips	1,500	-	-
Other support services	10,973	-	-
Capital outlay	-	-	1,659,211
Debt principal and interest	-	614,558	-
Total governmental fund expenditures	4,645,578	614,558	1,829,685
Excess (deficiency) of revenues over expenditures	824,075	(584,884)	(1,823,428)
Other Financing Sources (Uses)			
Proceeds from issuance of long-term debt	-	1,960,000	-
Operating transfers in	-	-	1,820,898
Operating transfers out	(686,718)	(1,134,180)	-
Total other financing sources (uses)	(686,718)	825,820	1,820,898
Excess (deficiency) of revenues and other financing sources over expenditures and other (uses)	137,357	240,936	(2,530)
Fund balance - July 1, 2007	1,132,218	713,922	2,762
Fund balance - June 30, 2008	\$ 1,269,575	\$ 954,858	\$ 232

See accompanying notes to financial statements

LANDMARK ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008 See Independent Auditor's Report

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	375,763
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Governmental funds report capital outlays as expenditures. However, in the statements of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$	1,829,685	
Depreciation expense		<u>(175,416)</u>	1,654,269

The governmental funds report loan proceeds as an other financing source, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general loan obligations is as follows:

Proceeds from debt issuance	\$	(1,960,000)	
Repayment of loan principal		85,000	
Interest expense		<u>471</u>	<u>(1,874,529)</u>

Change in Net Assets of Governmental Activities	\$	<u>155,503</u>
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See accompanying notes to financial statements



LANDMARK ACADEMY

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report**

ASSETS

	<u>Agency</u>
Cash and cash equivalents	\$ 36,030
Total assets	<u>\$ 36,030</u>

LIABILITIES

Due to student groups	\$ 36,030
Total liabilities	<u>\$ 36,030</u>

See accompanying notes to financial statements



LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of Landmark Academy (the "Academy") conform to generally accepted accounting principles applicable to public school academies. The following is a summary of the significant accounting policies:

Reporting Entity

Landmark Academy was formed as a public school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy filed articles of incorporation as a nonprofit corporation pursuant to the provisions of the Michigan Nonprofit Corporation Act of 1982, as amended, on May 26, 1999, and began operation in July, 1999.

In July 1999, the Academy entered into a five year contract with Saginaw Valley State University's Board of Control to charter a public school academy. This contract was renewed for an additional five years in July, 2004. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the State constitution. The University's Board of Control is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays Saginaw Valley State University's Board of Control three percent of state aid as administrative fees. Total administrative fees paid for the year ended June 30, 2008 were approximately \$149,600.

In June 2006, the Academy entered into a three year consulting agreement with Summit Management, LLC. Under the terms of this agreement, Summit will provide a variety of services including oversight of administration and staff and coordinate the development of budgets and financial reports. The Academy is obligated to pay Summit \$150,000 or 6% of state aid, whichever is greater. The total paid for these services amounted to approximately \$299,500 for the year ended June 30, 2008.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operation of financial relationships with the public school Academy. Based on application of criteria, the Academy does not contain component units.

Fund Financial Statements

Fund financial statements report detailed information about the Academy. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Academy has elected to specify all of its funds as major.

Basis of Presentation - Fund Accounting

The accounts of the Academy are organized on the basis of funds. The operations of a fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined basic financial statements in this report, into generic fund types in two broad categories:

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Governmental Fund

A governmental fund is a fund through which most academy functions typically are financed. The acquisition, use and balances of the Academy's expendable financial resources and the related current liabilities are accounted for through a governmental fund.

General Fund - The general fund is used to record the general operations of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Debt Service Fund - The debt service fund is used to record certain revenue and the payment of interest, principal and other expenditures on long-term debt.

Capital Projects Fund - The capital project fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Fiduciary Fund - The fiduciary fund is used to account for assets held by the Academy in a trustee capacity or as an agent. The agency fund is custodial in nature and does not involve the measurement of results of operations.

Activity (Agency) Fund - The Academy presently maintains an activity fund to record the transactions of a student group for school and school-related purposes. The fund is segregated and held in trust for the students.

Governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Revenue that is both measurable and available for use to finance operations is recorded as revenue when earned. Revenues are considered to be available when they are collectible within the current period or soon enough, thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.
- b. Payments for inventorable types of supplies, which are not significant at year end, are recorded as expenditures at the time of purchase.
- c. Principal and interest of general long-term debt are not recorded as expenditures until their due dates.
- d. The State of Michigan utilizes a foundation allowance funding approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law. A major portion of the Academy's revenue is derived from this state aid. As such, the Academy is considered to be economically dependent on this aid. The Academy's existence is dependent upon qualification for such aid.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Government Wide Financial Statements

The government-wide financial statements (i.e. the statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between expenses, and program revenues for each segment of the business-type activities of the Academy and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. The Academy does not allocate indirect expenses to programs. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or function is self financing or draws from the general revenues of the Academy.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The academy first utilizes restricted resources to finance qualifying activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Cash and Cash Equivalents

The Academy's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition. The Academy reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for certain investments and for external investment pools and GASB No. 40, Deposit and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration the rate of return is fixed and the Academy intends to hold the investment until maturity. The Academy held investments in mutual funds that invest solely in U.S. Treasury obligations. The funds are held in trust for debt service and capital projects. State statutes authorize the academy to invest in bonds and other direct and certain in-direct obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bond, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Academy is also authorized to invest in U.S. Government or Federal agency obligation repurchase agreements, bankers' acceptances of U.S. Banks, and mutual funds composed of investments as outlined above.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Receivables

Receivables at June 30, 2008 consist primarily of state school aid due from the State of Michigan. All receivables are expected to be fully collected in July and August of 2008 and are considered current for the purposes of these basic financial statements.

Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy defines capital assets as those with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. The Academy does not possess any infrastructure assets.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Computers and software	3 - 10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of capital leases that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 1 - Summary of Significant Accounting Policies - Continued

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - Stewardship, Compliance and Accountability

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America and state law for the general fund. All annual appropriations lapse at fiscal year end and encumbrances are not formally recorded.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. The Academy is required by law to adopt a general and special revenue fund, if applicable, budgets. The Academy has not formally adopted a debt service fund or capital projects fund budget. During the year ended June 30, 2008 the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - all governmental funds) is presented on the combined statement of revenue, expenditures, and fund balances. During the year ended June 30, 2008, the Academy incurred expenditures in certain budgetary functions which were in excess of the amounts appropriated.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments

As of June 30, 2008, the Academy had the following investments.

<u>Type</u>	<u>S&P Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Cash on hand			\$ -
Demand deposits			484,103
Total deposits			484,103
Investments:			
U.S. Treasury and agency obligations	AAAm	Various	955,090
Total deposits and investments			<u>\$ 1,439,193</u>

The above amounts are reported in the financial statements as follows:

Deposits:	
Cash - Agency Fund	\$ 36,030
Cash - Academy Wide	448,073
Subtotal	484,103
Investments:	
Investments - Debt Service	954,858
Investments - Capital Projects	232
Subtotal	955,090
Total deposits and investments	<u>\$ 1,439,193</u>

Interest Rate Risk

In accordance with its investment policy, the Academy will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Academy's cash requirements.

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 3 - Deposits and Investments - Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the Academy's investments were rated AAAm by Standards & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The district will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the Academy's investments are in investment pools which represents 100% of the Academy's total investments.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$390,332 of the Academy's bank balance of \$490,332 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Academy will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign Currency Risk

The Academy is not authorized to invest in investments which have this type of risk.

NOTE 4 - Due From Other Governmental Units

Amounts owed from governmental units consist of the following:

At risk	\$	13,832
Special education		4,783
State aid		907,009
Total	\$	925,624

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 7 - Long-Term Obligations Payable

The following is a summary of long-term obligations for the Academy for the year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Certificates of participation #1	\$ 3,285,000	\$ -	\$ 50,000	\$ 3,235,000	\$ 55,000
Certificates of participation #2	2,045,000	-	35,000	2,010,000	40,000
Certificates of participation #3	-	1,960,000	-	1,960,000	-
Total	<u>\$ 5,330,000</u>	<u>\$ 1,960,000</u>	<u>\$ 85,000</u>	<u>\$ 7,205,000</u>	<u>\$ 95,000</u>

The Academy has issued three series of Certificates of Participation bearing interest at rates from 6.75% through 7.56% through the year ended June 30, 2031. The obligations require semi-annual interest payments due on December 1st and June 1st and an annual payment of principal due on June 1st. The certificates are collateralized by a mortgage on the Academy's facility as well as a pledge for 20% of State School Aid payments and investments held in trust for debt service.

Following are maturities of long-term obligations principal and interest for each of the next five years and in total:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 95,000	\$ 526,750
2010	100,000	520,438
2011	110,000	513,788
2012	2,075,000	506,475
2013	125,000	370,238
2014 - 2018	770,000	1,703,538
2019 - 2023	1,085,000	1,379,001
2024 - 2028	1,565,000	892,456
2029 - 2031	1,280,000	206,781

LANDMARK ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
See Independent Auditor's Report

NOTE 8 - Operating Lease

The Academy has entered into an operating lease agreement with an unrelated third party for the use of classroom facilities, gymnasium, and cafeteria space. The Academy is required to maintain adequate property and liability insurance coverage as well as maintain the property in like condition as at the inception of the lease term. The lease requires rental payments of \$24,000 monthly. The space is held under a thirty-four month lease beginning in April, 2007.

The Academy has also leased equipment for its facilities under non-cancelable agreements which expire at various times through February, 2012. The leases require approximate annual rentals of \$19,500.

The approximate amount of lease obligations coming due during the next five years are as follows:

The following is a schedule of future minimum rental payments required under the lease as of June 30,:

	<u>Equipment</u>	<u>Facilities</u>
2009	\$ 19,500	\$ 288,000
2010	19,500	288,000
2011	19,500	168,000
2012	19,500	-
2013	11,300	-

Total rent expense included in the determination of net earnings for the year ended June 30, 2008 amounted to approximately \$321,410.

NOTE 9 - Retirement Plan

All leased employees of the Academy are eligible to participate in a retirement plan established by Summit which qualifies under the provisions of Section 401(k) of the Internal Revenue Code. The employer under this plan will contribute 4% of salaries regardless of the amount the employee contributes. The employer will additionally match up to 4% of employee contributed funds. Eligible employees may contribute up to 15% of their salaries under the terms of this plan. Total Academy contributions amounted to approximately \$176,360 for the year ended June 30, 2008.

NOTE 10 - Interfund Transfers

During the normal course of the school year the Academy transferred amounts between its three major funds as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Transfers In	\$ -	\$ -	\$ 1,820,898
Transfers Out	686,718	1,134,180	-

LANDMARK ACADEMY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report

NOTE 10 - Interfund Transfers - Continued

As stipulated by the Academy's Certificates of Participation as described in Note 7, the Academy must transfer 20% of its state aid to a trustee. The trustee retains the required portion needed for debt service and returns the remainder to the Academy. The Academy has also initiated a second Certificate of Participation issuance as detailed in Note 7. This issuance was used to expand the Academy's current operating facility.

NOTE 11 - Risk Management

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 - Related Party Transactions

Summit Management, LLC provides management services to the Academy as described in Note 1 of these financial statements. The Academy's school and business administrators are also members / owners of Summit Management, LLC. The board of directors is directly responsible for appointing the management firm and neither of the above mentioned individuals are eligible to vote for this appointment.

David M. Croskey, CPA
Thomas B. Lanni, CPA
Carolyn A. Jones, CPA
Clifton E. Powell Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

**To the Board of Directors
of Landmark Academy**

We have audited the accompanying financial statements of Landmark Academy for the year ended June 30, 2008. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Landmark Academy. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Croskey, Lanni & Company, P.C.

July 15, 2008
Rochester, Michigan

LANDMARK ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	General Fund		
	Original Budget	Final Budget	Actual
Revenue			
Local sources	\$ 88,100	\$ 124,626	\$ 151,320
State sources	4,766,500	5,096,684	5,088,643
Federal sources	211,400	229,690	229,690
Total governmental fund revenues	5,066,000	5,451,000	5,469,653
Expenditures			
Elementary school	1,421,000	1,492,500	1,485,850
Middle school	560,900	578,700	574,205
High school	235,200	248,300	244,434
Special education	144,200	193,500	191,702
Compensatory education	205,000	215,000	213,334
Support services	93,800	89,500	88,858
General administration	42,500	44,000	42,524
Executive administration	430,500	451,100	450,934
Building administration	529,500	542,000	540,792
Business support services	340,000	352,100	352,002
Operation and maintenance	400,600	450,000	448,470
Field trips	-	1,500	1,500
Other support services	15,000	11,000	10,973
Capital outlay	-	-	-
Debt principal and interest	-	-	-
Total governmental fund expenditures	4,418,200	4,669,200	4,645,578
Excess (deficiency) of revenues over expenditures	647,800	781,800	824,075
Other Financing Sources (Uses)			
Proceeds from issuance of long-term debt	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(638,100)	(713,900)	(686,718)
Total other financing sources (uses)	(638,100)	(713,900)	(686,718)
Excess (deficiency) of revenues and other financing sources over expenditures and other (uses)	9,700	67,900	137,357
Fund balance - July 1, 2007	1,132,218	1,132,218	1,132,218
Fund balance - June 30, 2008	\$ 1,141,918	\$ 1,200,118	\$ 1,269,575

LANDMARK ACADEMY

SCHEDULE OF REVENUES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Local Sources			
Interest	\$ 9,307	\$ 29,674	\$ 6,257
Local millages	114,647	-	-
Mini grant	8,484	-	-
Miscellaneous	18,882	-	-
	<u>151,320</u>	<u>29,674</u>	<u>6,257</u>
Total local sources	151,320	29,674	6,257
State Sources			
At risk	76,041	-	-
Special education	26,296	-	-
State aid	4,986,306	-	-
	<u>5,088,643</u>	<u>-</u>	<u>-</u>
Total state sources	5,088,643	-	-
Federal Sources			
Rural school grant	42,692	-	-
Special education	101,997	-	-
Title I	69,111	-	-
Title II A	15,123	-	-
Title II D	650	-	-
Title V	117	-	-
	<u>229,690</u>	<u>-</u>	<u>-</u>
Total federal sources	229,690	-	-
Total governmental fund revenues	<u>\$ 5,469,653</u>	<u>\$ 29,674</u>	<u>\$ 6,257</u>

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Elementary School			
Purchased services - salaries	\$ 1,095,289	\$ -	\$ -
Purchased services - benefits	196,558	-	-
Purchased services - payroll taxes	110,950	-	-
Textbooks and supplies	58,317	-	-
Workshops and conferences	24,736	-	-
	<hr/>	<hr/>	<hr/>
Total elementary school	1,485,850	-	-
Middle School			
Purchased services - salaries	397,178	-	-
Purchased services - benefits	86,936	-	-
Purchased services - payroll taxes	39,145	-	-
Textbooks and supplies	41,633	-	-
Workshops and conferences	9,313	-	-
	<hr/>	<hr/>	<hr/>
Total middle school	574,205	-	-
High School			
Purchased services - salaries	140,961	-	-
Purchased services - benefits	42,806	-	-
Purchased services - payroll taxes	14,751	-	-
Supplies and materials	38,681	-	-
Workshops and conferences	7,235	-	-
	<hr/>	<hr/>	<hr/>
Total high school	244,434	-	-
Special Education			
Purchased services - salaries	109,732	-	-
Purchased services - benefits	18,155	-	-
Purchased services - payroll taxes	10,711	-	-
Supplies and materials	46,338	-	-
Workshops and conferences	6,766	-	-
	<hr/>	<hr/>	<hr/>
Total special education	191,702	-	-
Compensatory Education			
Purchased services - salaries	135,218	-	-
Purchased services - benefits	42,186	-	-
Purchased services - payroll taxes	11,612	-	-
Supplies and materials	23,323	-	-
Workshops and conferences	995	-	-
	<hr/>	<hr/>	<hr/>
Total compensatory education	213,334	-	-

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Support Services			
Purchased services - salaries	72,477	-	-
Purchased services - benefits	7,713	-	-
Purchased services - payroll taxes	3,689	-	-
Subcontracted services	4,550	-	-
Supplies and materials	429	-	-
	<hr/>	<hr/>	<hr/>
Total support services	88,858	-	-
General Administration			
Advertising and recruiting	24,132	-	-
Professional fees	18,392	-	-
	<hr/>	<hr/>	<hr/>
Total general administration	42,524	-	-
Executive Administration			
Oversight fees	149,589	-	-
Management fees	299,178	-	-
Memberships and dues	2,167	-	-
	<hr/>	<hr/>	<hr/>
Total executive administration	450,934	-	-
Building Administration			
Purchased services - salaries	343,338	-	-
Purchased services - benefits	71,593	-	-
Purchased services - payroll taxes	35,945	-	-
Copier lease	33,410	-	-
Memberships and dues	2,147	-	-
Miscellaneous	13,079	-	-
Office supplies and other	9,155	-	-
Postage	7,417	-	-
Workshops and conferences	24,708	-	-
	<hr/>	<hr/>	<hr/>
Total building administration	540,792	-	-

LANDMARK ACADEMY

SCHEDULE OF EXPENDITURES - ALL GOVERNMENTAL FUND TYPES - Continued FOR THE YEAR ENDED JUNE 30, 2008

See Independent Auditor's Report on Supplemental Information

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Business Support Services			
Bank fees	5,351	-	-
Debt issuance costs	-	-	170,474
Facilities lease	288,000	-	-
Insurance	34,062	-	-
Software maintenance	24,589	-	-
	<u>352,002</u>	<u>-</u>	<u>170,474</u>
Total business support services	352,002	-	170,474
Operation and Maintenance			
Purchased services - salaries	135,749	-	-
Purchased services - benefits	25,170	-	-
Purchased services - payroll taxes	14,710	-	-
Maintenance	128,469	-	-
Supplies	34,737	-	-
Utilities	109,635	-	-
	<u>448,470</u>	<u>-</u>	<u>-</u>
Total operation and maintenance	448,470	-	-
Field Trips	1,500	-	-
Other Support Services	10,973	-	-
Capital Outlay	-	-	1,659,211
Debt Principal and Interest	-	614,558	-
	<u>-</u>	<u>614,558</u>	<u>-</u>
Total governmental fund expenditures	<u>4,645,578</u>	<u>\$ 614,558</u>	<u>\$ 1,829,685</u>

David M. Croskey, CPA
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Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

**To the Board of Directors
of Landmark Academy**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Landmark Academy as of and for the year ended June 30, 2008, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated July 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Landmark Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Landmark Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Landmark Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Landmark Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, the Michigan Department of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.


Croskey, Lanni & Company, P.C.

July 15, 2008
Rochester, Michigan